

Texas Transportation Commission Quarterly Investment Report



August 31, 2021



An aerial photograph of a city, likely Dallas, showing a complex highway interchange with multiple lanes and overpasses. The city skyline is visible in the background with various skyscrapers. The entire image has a blue color cast. Overlaid on the center of the image is the text "Connecting You with TEXAS".

Connecting
You with **TEXAS**

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Management's Certification of the Quarterly Investment Report

I certify that I have reviewed the Quarterly Investment Report as of and for the quarter that ended August 31, 2021 prepared on behalf of the Texas Transportation Commission (the Commission). To the best of my knowledge and belief:

- In all material respects, the Quarterly Investment Report was prepared in accordance, with the guidelines presented in Texas Government Code, Chapter 2256 (Public Funds Investment Act) and Section 9.0 of the Commission's investment policy. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
- There have been no material misrepresentations in the report by the inclusion or exclusion of information.
- An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report, and there were no material weaknesses in internal controls during the period covered by the report.
- An independent accountant's report on agreed-upon procedures to review management's compliance with the Public Funds Investment Act is conducted annually. The report is presented to the Commission.

DocuSigned by:



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Stephen Stewart

Chief Financial Officer

Investment Officer

DocuSigned by:



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Benjamin H. Asher

Director, Project Finance, Debt & Strategic Contracts Division

Investment Officer

DocuSigned by:



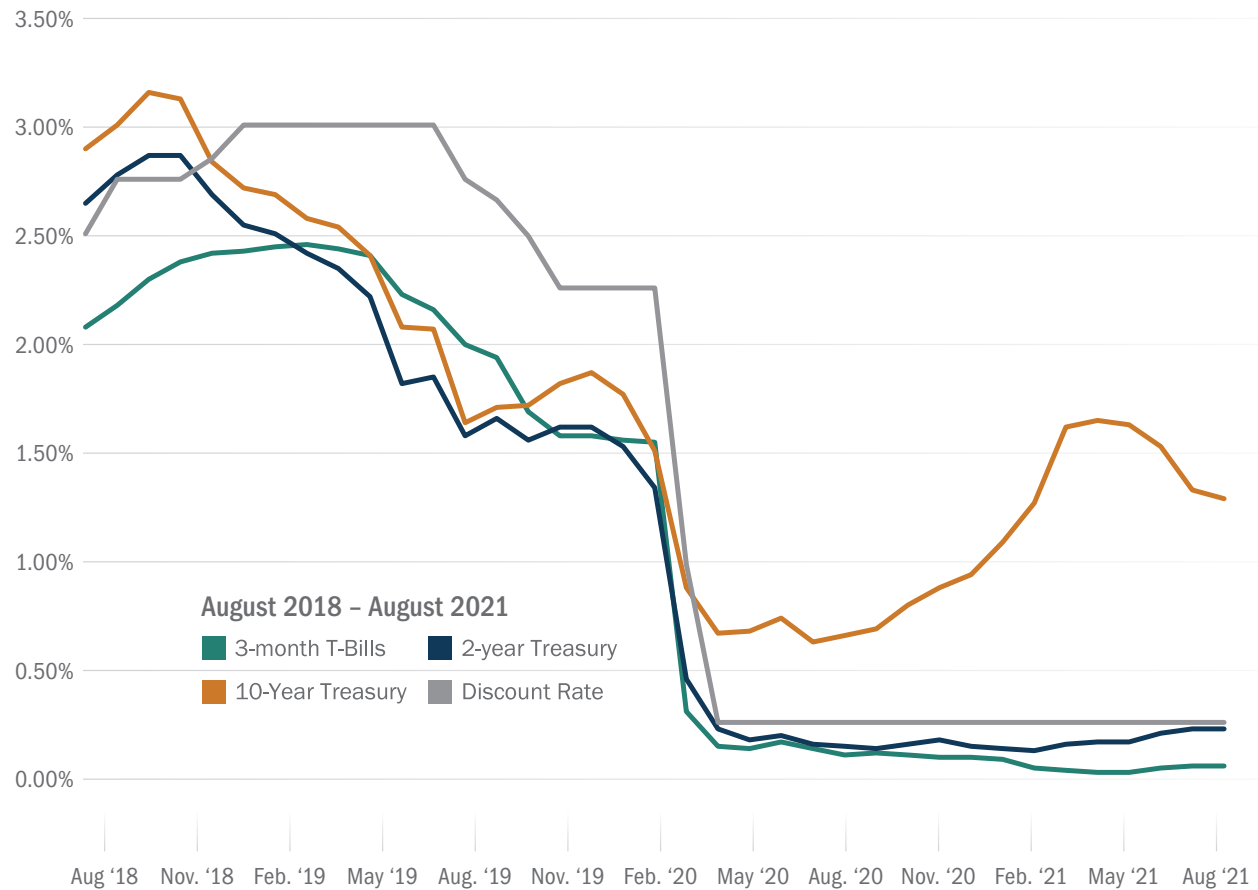
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Jennifer Wright

Project Finance & Debt Director

Investment Officer

U.S. Treasury Historical Yields





Central Texas Turnpike System Funds

MANAGEMENT DISCUSSION

In 2002, the Commission entered an Indenture of Trust establishing funds and accounts related to the financing of the 2002 Project of the Central Texas Turnpike System (CTTS). CTTS investments are held by The Bank of New York Mellon, acting as trustee. The funding of investments includes bond proceeds, capital contributions for the purpose of financing the 2002 Project, revenues derived from operation of CTTS toll roads, and related investment earnings.

Suitable investments have been selected using the following criteria and priorities pursuant to the Commission's investment policy and the CTTS investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity
- 2) Preservation and safety of principal
- 3) Liquidity
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity
- 5) Diversification of the investment portfolio
- 6) Yield

The investment instruments described in Schedule 1 are in compliance with the Texas Public Funds Investment Act, the Commission's investment policy, and the CTTS investment strategy.

INVESTMENT ACTIVITY

Investment income for the quarter: \$1,682,404, yield 1.02%.

The Guaranteed Investment Contract is intended to be held to the maturity date of August 15, 2022.

CURRENT STRATEGY

The Capital Contributions account is invested to match planned expenditures. The investment strategy, however, remains guided by the following principles: safety of principal, liquidity, and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for August 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.05%
- 2-Year Treasury: 0.22%
- 10-Year Treasury: 1.28%
- Discount Rate: 0.25%

CTTS Schedule 1 – Investments

Income for Quarter: \$1,682,404

Yield for Quarter: 1.02%

Description	Yield	Maturity Date	Book Value	Fair Value ¹
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Liquid Investments

Money Market

JP Morgan Govt MMKT Fund	0.03%	N/A	\$ 84,420,506	\$ 84,420,506
Morgan Stanley Govt MMKT Fund	0.03%	N/A	\$ 57,881,070	\$ 57,881,070
Dreyfus Government MMKT Fund	0.03%	N/A	\$ 2,200,000	\$ 2,200,000

TexPool ²

Prime	0.06%	N/A	\$ 131,052,790	\$ 131,052,790
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U.S Government Securities

Freddie Mac Agency Notes	0.27%	08/23/23	\$ 20,000,600	\$ 20,000,600
Freddie Mac Agency Notes	0.27%	08/23/23	\$ 20,000,600	\$ 20,000,600
Freddie Mac Agency Notes	0.63%	11/25/25	\$ 19,978,200	\$ 19,978,200
Freddie Mac Agency Notes	0.63%	11/25/25	\$ 19,978,200	\$ 19,978,200

Guaranteed Investment Contract ³

Citigroup Global Markets Inc. GIC (CUSIP S86538450)	5.20%	08/15/22	\$ 114,999,379	\$ 114,999,379
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Accounts Held by Texas Treasury Safekeeping Trust Company

Operating, Maint. and Reserve Maint.	0.02%	N/A	\$ 111,244,143	\$ 111,244,143
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\$ 581,755,488 \$ 581,755,488

Notes:

¹ For the quarter, \$256,525 was booked for changes in the fair value of investments. All investments are intended to be held to maturity.

² These local government investment pools seek to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.

³ This security was purchased under the terms of a forward purchase agreement that was executed in August 2002 at rates that were currently available at that time.

Fair values are reported on monthly account statements. Totals may not up add up due to rounding.

CTTS Schedule 2 – Allocation by Account

5/31/2021

Description	Revenue Fund	1st Tier Interest Account	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Principal Account	2nd Tier Interest	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC ^(B)	Portfolio Total
Money Market Funds	1,439,803				-				-	-	-	\$ 1,439,803
U.S. Treasury Notes	-	-	-	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Bill					-							\$ -
U.S. Government Agency	-	-	-	7,500,675	-		-	39,850,200	39,850,200	-	-	\$ 87,201,075
Local Government Investment Pools	117,155,327	17,885,823	36,487,625	2,746,440	-	28,941,830	13,295,436	28,048,013	93,783,318	-	-	\$ 338,343,811
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	-	\$ 114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	-	68,521,974	-	\$ 68,521,974
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	-	33,610,252	\$ 33,610,252
Totals	118,595,129	17,885,823	36,487,625	125,246,494	-	28,941,830	13,295,436	67,898,213	133,633,518	68,521,974	33,610,252	\$ 644,116,293

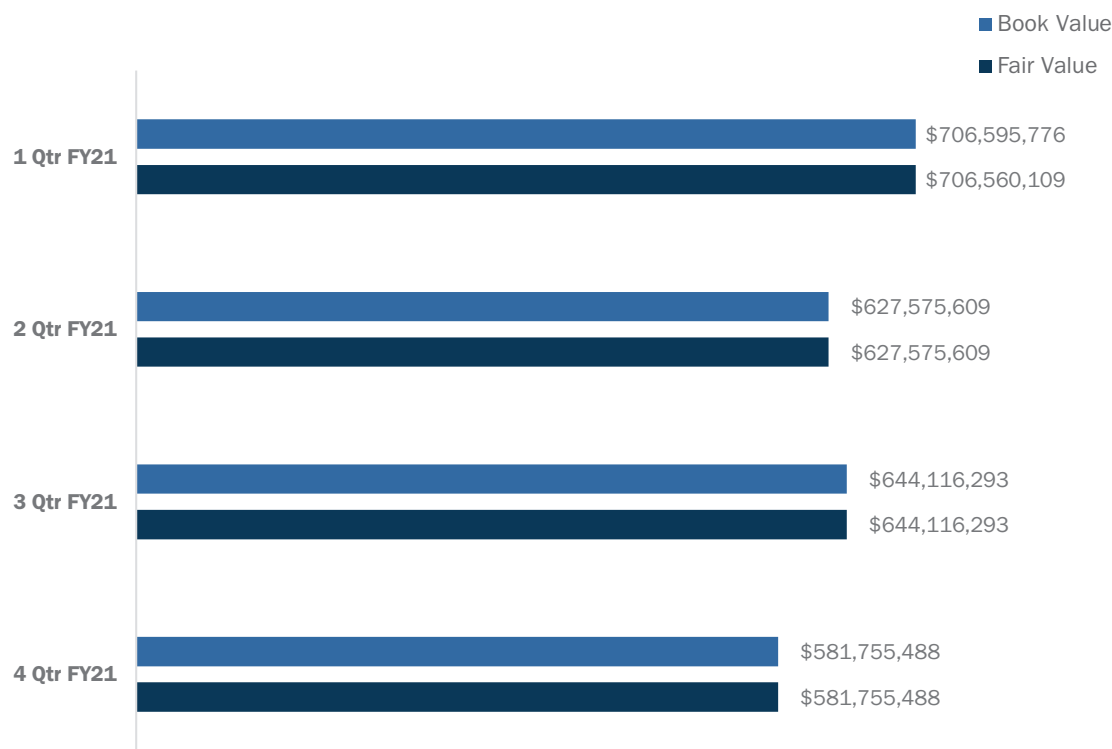
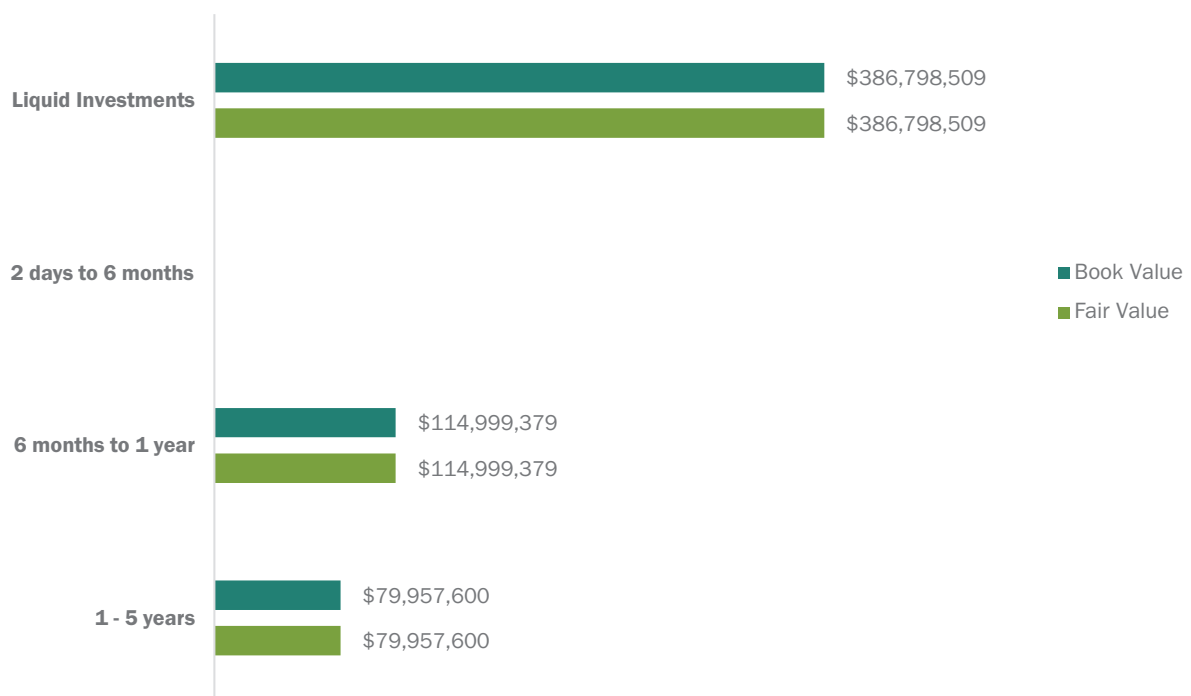
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Description	Revenue Fund	1st Tier Interest Account ^(A)	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Principal Account	2nd Tier Interest ^(B)	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC ^(C)	Portfolio Total
Money Market Funds	749,917	35,747,090	43,150,449	4,773,049	2,200,000	57,881,070	-	-	-	-	-	\$ 144,501,576.11
U.S. Treasury Notes	-	-	-	-		-	-	-	-	-	-	-
U.S. Treasury Bills	-	-	-	-		-	-	-	-	-	-	-
U.S. Government Agency	-	-	-	-		-	39,978,800	39,978,800	-	-	-	79,957,600.00
Local Government Investment Pools	-	1,369	2,792	2,746,917	-	2,215	13,297,747	28,052,677.43	86,949,073	-	-	\$ 131,052,790.04
Guaranteed Investment Contract	-	-	-	114,999,379		-	-	-	-	-	-	\$ 114,999,379.00
Accounts Held by Comptroller	-	-	-	-		-	-	-	-	-	-	-
Accounts Held by TTSTC	-	-	-	-		-	-	-	-	-	111,244,143	\$ 111,244,143.18
Totals	749,917	35,748,458	43,153,241	122,519,346	2,200,000	57,883,285	53,276,547	68,031,477	86,949,073	-	111,244,143	\$ 581,755,488.33

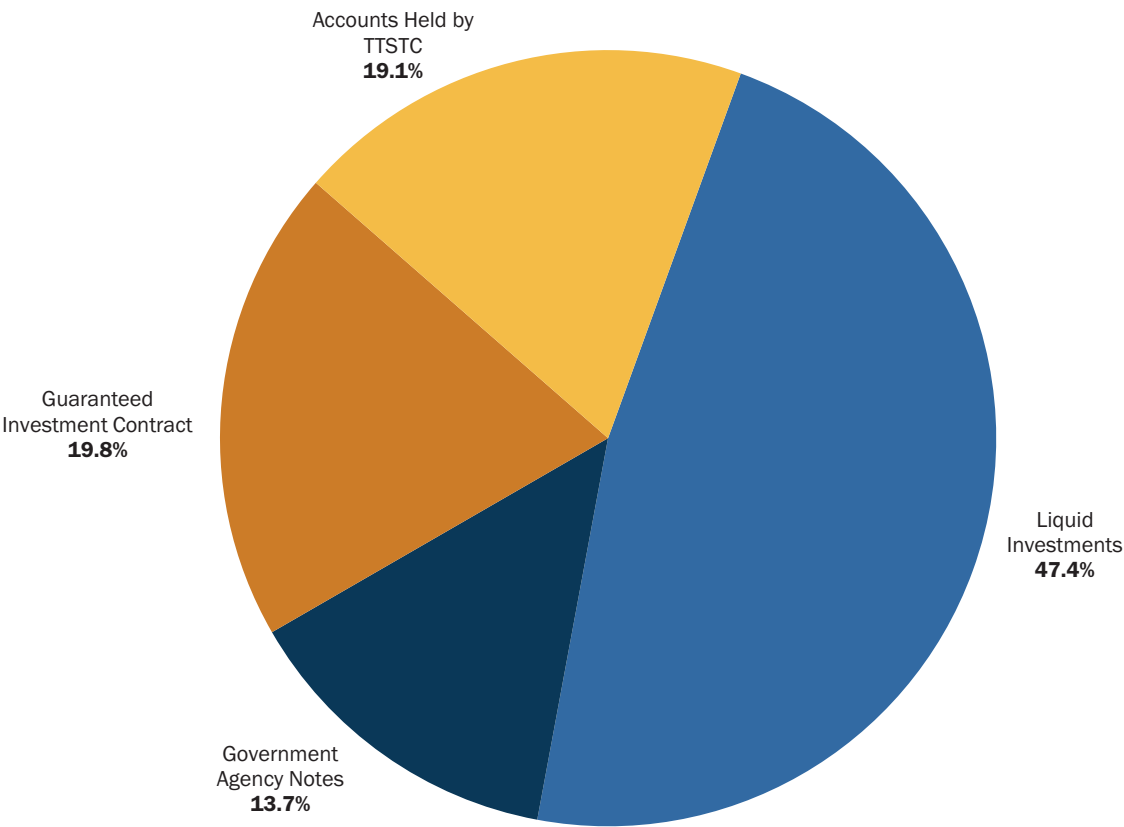
Note ^(A) - In August, \$54.3 million in debt service was paid.
Note ^(B) - In August, \$28.9 million in debt service was paid.
Note ^(C) - TTSTC - Texas Treasury Safekeeping Trust Company

Fair values as reported on monthly account statements. Totals may not add up due to rounding.

CTTS Schedule 3 – Maturity Distribution and Quarter End Comparison



CTTS Schedule 4 – Investments by Security Type



■ Liquid Investments	\$275,554,366
■ Government Agency Notes	79,957,600
■ Guaranteed Investment Contract	114,999,379
■ Accounts Held by TTSTC	111,244,143

Total Investments (Fair Value) \$581,755,488



I-35E Project

MANAGEMENT DISCUSSION

In 2016, the Commission entered a trust agreement with Amegy Bank, securing the toll revenue obligations of and in connection with the financing of the I-35E Managed Lanes Project. On November 3, 2016, the Commission executed a loan agreement (TIFIA Loan) with the United States Department of Transportation pursuant to the Transportation Infrastructure Finance and Innovation Act to finance a portion of the I-35E Managed Lanes Project.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the I-35E Managed Lanes Project investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity
- 2) Preservation and safety of principal
- 3) Liquidity
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity
- 5) Diversification of the investment portfolio
- 6) Yield

Investments in this portfolio for Type I funds must be an eligible investment pursuant to the TIFIA Loan agreement. Type I funds include the Revenue Fund, Debt Service Fund, and General Fund.

INVESTMENT ACTIVITY

Interest and investment income for the quarter: \$55,981, yield 0.28%.

CURRENT STRATEGY

Investment of this portfolio is determined by the cash flow projections for the various funds and accounts. The strategy, however, remains guided by the following principles: safety of principal, liquidity, and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for August 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.05%
- 6-Month Treasury: 0.06%
- 1-Year Treasury: 0.07%
- 2-Year Treasury: 0.22%

I-35E Schedule 1 – Investments

Income for Quarter: \$55,981
Yield for Quarter: 0.28%

Description	Yield	Maturity Date	Book Value	Fair Value ¹
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Liquid Investments

Cash	N/A	N/A	\$ 1,184,440	\$ 1,184,440
Fidelity Treasury Portfolio	0.01%	N/A	10,037,500	10,037,500
LOGIC Investment Pool ²	0.04%	N/A	48,776,072	48,776,072

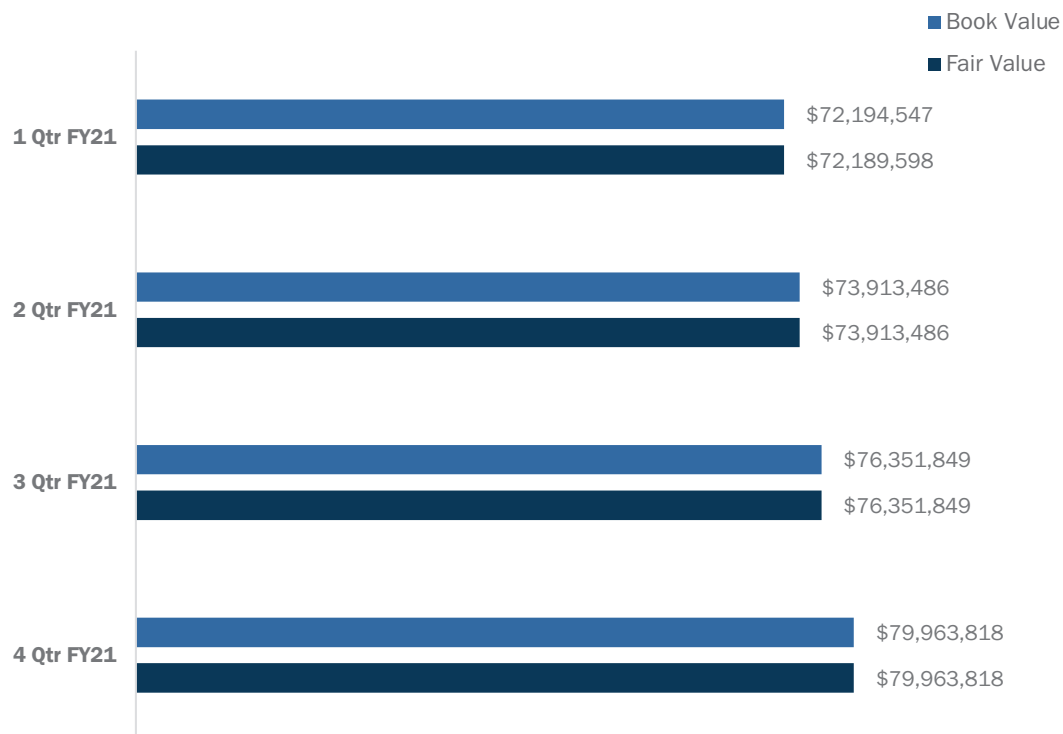
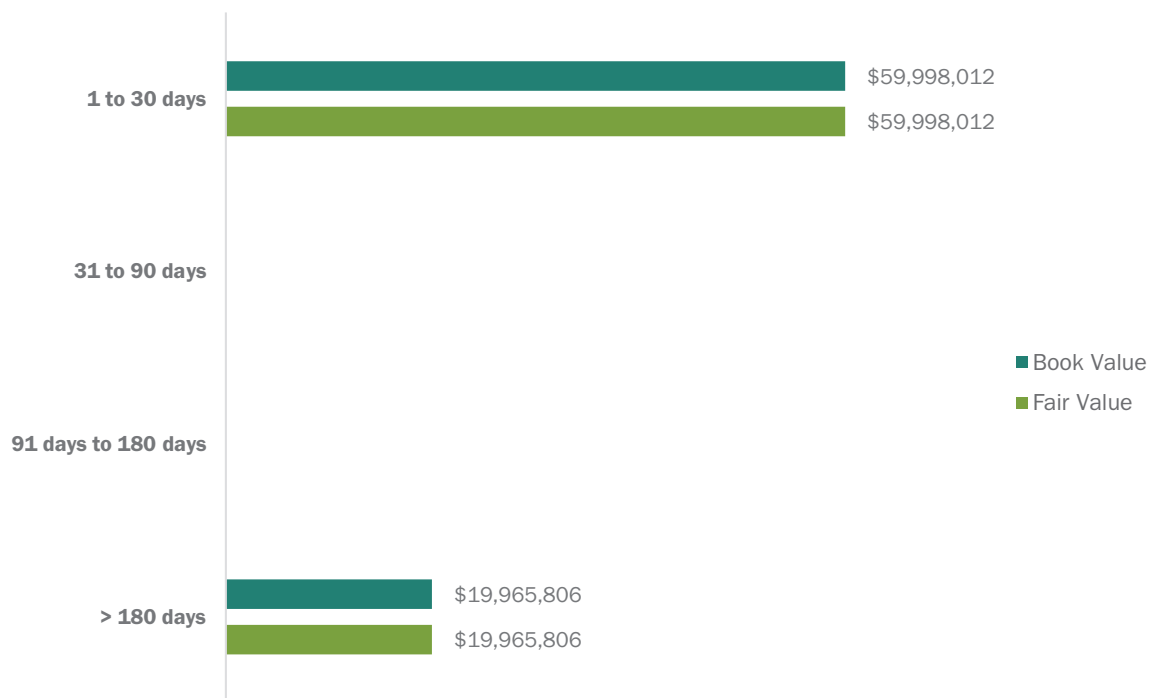
U.S Treasuries and Agencies

Freddie Mac Agency Notes	0.40%	02/26/24	10,000,258	10,000,258
Freddie Mac Agency Notes	0.50%	12/09/24	4,995,194	4,995,194
Fannie Mae Agency Notes	0.56%	10/28/25	4,970,354	4,970,354
			\$ 79,963,818	\$ 79,963,818

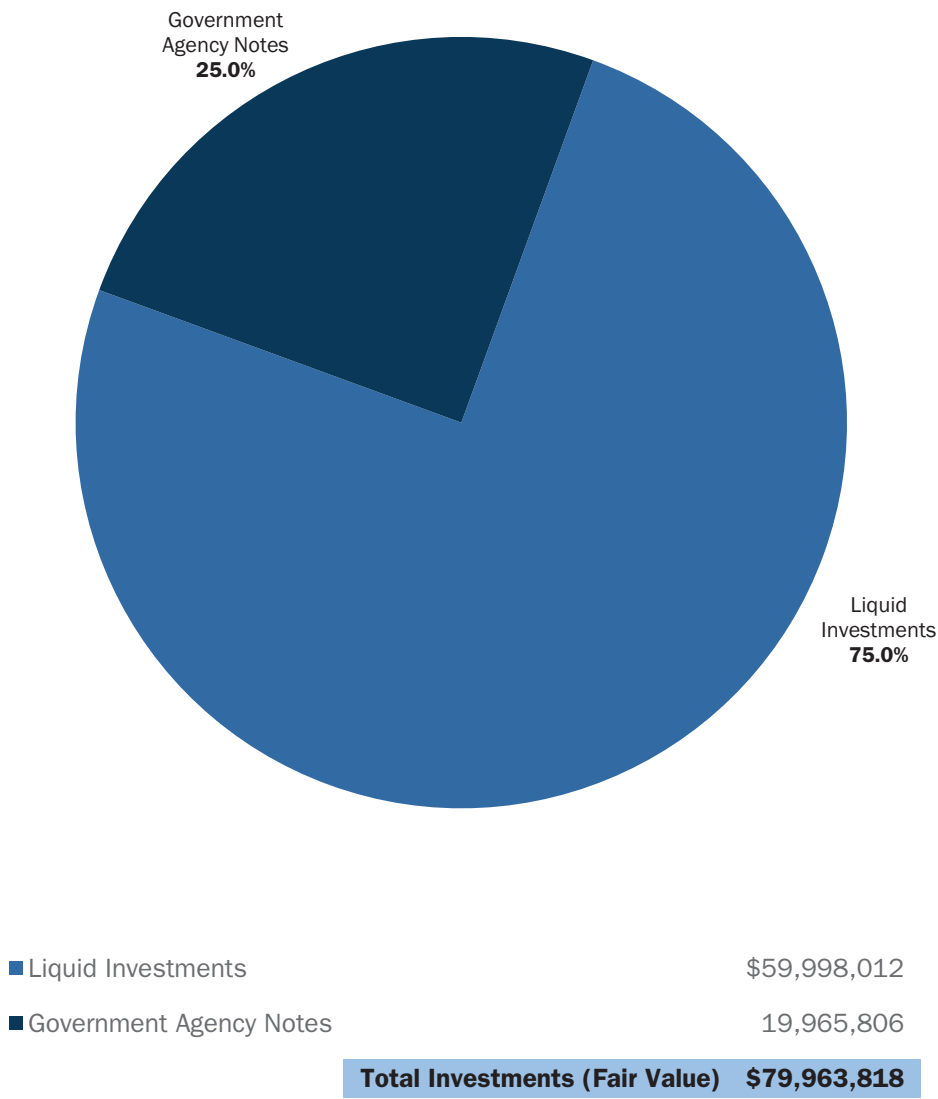
Notes:

¹ For the quarter, (\$1,202) was booked for changes in the fair value of investments. All investments are intended to be held to maturity.
² This local government investment pool seeks to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.
Fair values are reported on monthly account statements. Totals may not add up due to rounding.

I-35E Schedule 2 – Maturity Distribution and Quarter End Comparison



I-35E Schedule 3 – Investments by Security Type



Prepaid TxTag Account

MANAGEMENT DISCUSSION

In 2007, the Texas Department of Transportation entered a Master Lockbox and Custodial Account Agreement securing funds from the operation of certain toll roads, including the Prepaid TxTag Account funds. Investments of the Prepaid TxTag Account are held by The Bank of New York Mellon, acting as custodian.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the Prepaid TxTag investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity
- 2) Preservation and safety of principal
- 3) Liquidity
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity
- 5) Diversification of the investment portfolio
- 6) Yield

Investments in this portfolio are restricted to:

- 1) U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest;
- 2) Federal Agency or U.S. government sponsored enterprises (GSE) obligations, participations or other instruments; and
- 3) Securities and Exchange Commission registered money market funds.

Further restrictions on the portfolio include:

- 1) Only 20% of the custodial account can be investment with a final maturity not to exceed two years from the date of purchase.
- 2) Maximum weighted average maturity for the investments may not exceed 240 days at any time.

The investment instruments described in Schedule 1 are in compliance with the Texas Public Funds Investment Act, the Commission's investment policy, and the Prepaid TxTag Account investment strategy.

INVESTMENT ACTIVITY

Interest and investment income for the quarter: \$3,303, yield 0.02%.

CURRENT STRATEGY

Invest the portfolio for diversification into 6-9 month maturity sector. The strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for August 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.05%
- 6-Month Treasury: 0.06%
- 1-Year Treasury: 0.07%
- 2-Year Treasury: 0.22%

TxTag Schedule 1 – Investments

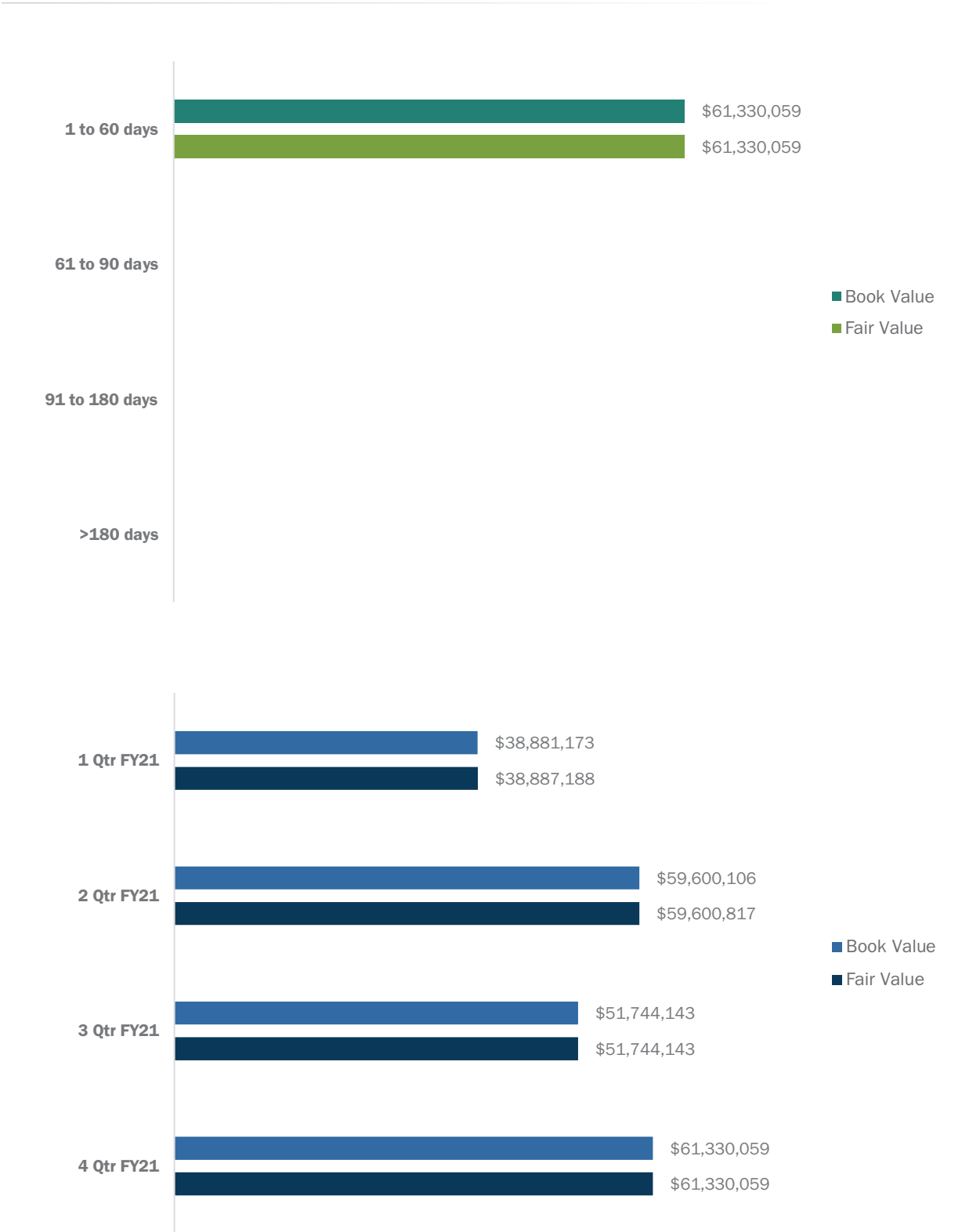
Income for Quarter: \$3,303
Yield for Quarter: 0.02%

Description	Yield	Maturity Date	Book Value		Fair Value ¹
Liquid Investments					
Morgan Stanley Govt MMKT Fund	0.03%	N/A	\$	61,330,059	\$ 61,330,059
			\$	61,330,059	\$ 61,330,059

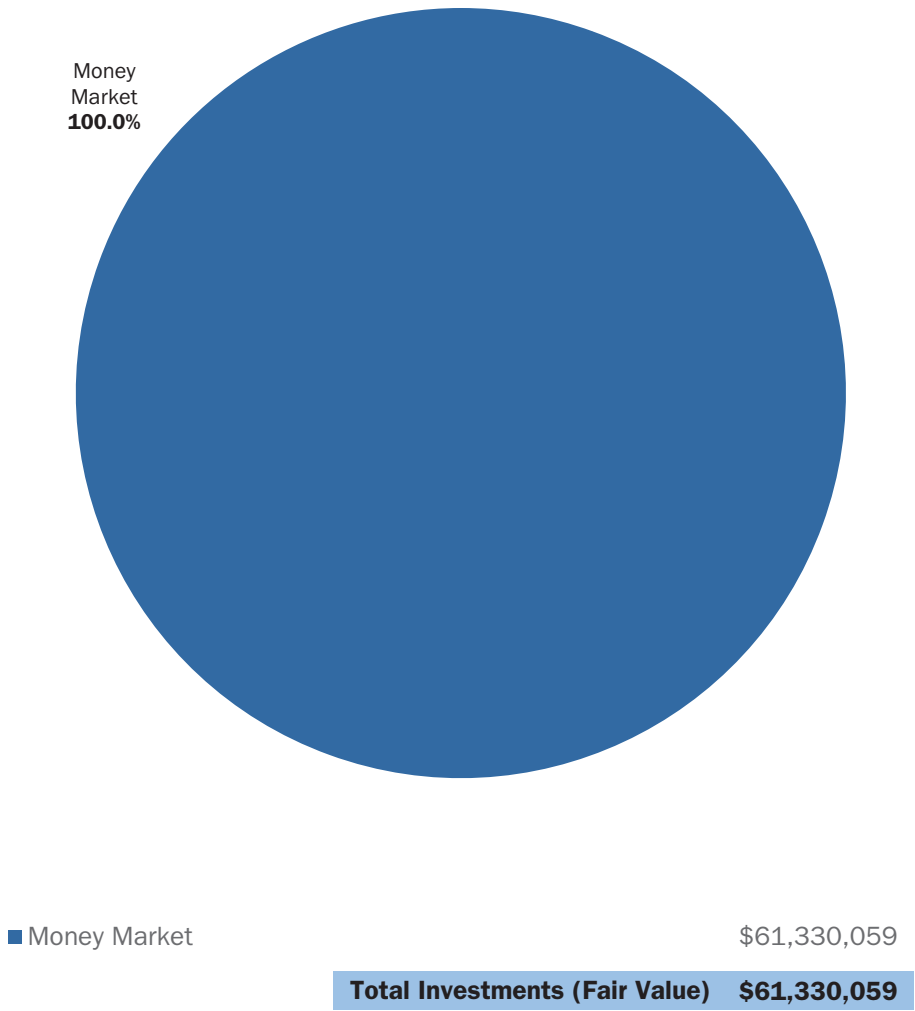
Notes:
¹ For the quarter, \$0 was booked for changes in the fair value of investments. All investments are intended to be held to maturity.

Fair values are reported on monthly account statements. Totals may not add up due to rounding.

TxTag Schedule 2 – Maturity Distribution and Quarter End Comparison



TxTag Schedule 3 – Investments by Security Type





SH 249 System Funds

MANAGEMENT DISCUSSION

In 2019, the Texas Transportation Commission entered a Master Trust Agreement securing toll revenue obligations related to the financing of the SH 249 System. Investments are held by U.S. Bank National Association as trustee.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the SH 249 System investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity
- 2) Preservation and safety of principal
- 3) Liquidity
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity
- 5) Diversification of the investment portfolio
- 6) Yield

INVESTMENT ACTIVITY

Interest and investment income for the quarter: \$55,286, yield 0.39%.

CURRENT STRATEGY

Investment of this portfolio is largely based on the cash flow projections for bond proceeds.

The strategy is guided by the following principles: safety of principal, liquidity, and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for August 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.05%
- 6-Month Treasury: 0.06%
- 1-Year Treasury: 0.07%
- 2-Year Treasury: 0.22%

SH 249 Schedule 1 – Investments

Income for Quarter: \$55,286
Yield for Quarter: 0.39%

Description	Yield	Maturity Date	Book Value	Fair Value ¹
Liquid Investments				
Goldman Treasury Portfolio	0.03%	N/A	16,403,636	16,403,636
TexPool Local Government Investment Pool ²	0.02%	N/A	39,077,526	39,077,526

\$	55,481,162	\$	55,481,162
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Notes:
¹ For the quarter, (\$51,660) was booked for changes in the fair value of investments. All investments are intended to be held to maturity.
² This local government investment pool seek to maintain a one dollar per share as required by the Texas Public Funds Investment Act.

Fair values are reported on monthly account statements. Totals may not add up due to rounding.

SH 249 Schedule 2 – Allocation by Account

5/31/2021

Description	Revenue Account	Construction Account	First Tier Interest Account	2019A Capitalized Interest Account ^(A)	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account ^(B)	Taxable 2019B First Tier Reserve Account	Rate Stabilization Fund	Portfolio Total
Money Market Funds	1,373,213	-	-	148,635	10,125,089	5,832	0	45,006	\$ 11,697,775
Local Government Investment Pools	-	4,108,317	-	5,192,633	14,291,659	334,135	1,309,663	6,188,330	\$ 31,424,737
U.S. Treasury Notes	-	-	-	10,036,900	-	-	-	4,014,760	\$ 14,051,660
Totals	1,373,213	4,108,317		15,378,168	24,416,748	339,967	1,309,663	10,248,096	\$ 57,174,172

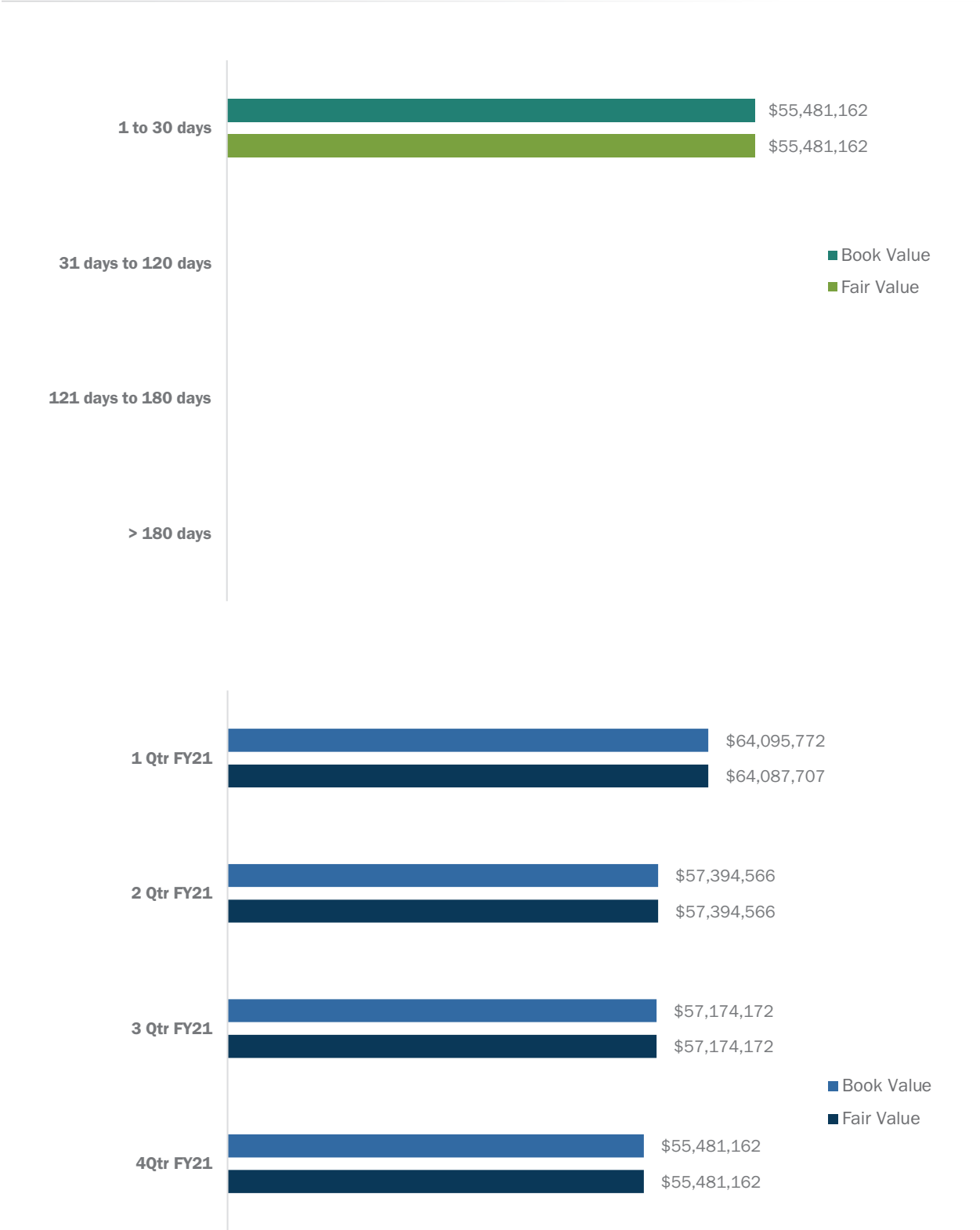
8/31/2021

Description	Revenue Account	Construction Account	First Tier Interest Account	2019A Capitalized Interest Account ^(A)	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account	Taxable 2019B First Tier Reserve Account	Rate Stabilization Fund	Portfolio Total
Money Market Funds	-	-	-	2,078,003	9,450,559	-	-	4,875,074	\$ 16,403,636
Local Government Investment Pools	-	3,099,423	7,798,988	5,192,870	14,292,311	10	1,284,722	7,409,201	\$ 39,077,526
U.S. Treasury Notes	-	-	-	-	-	-	-	-	\$ -
Totals	-	3,099,423		7,270,873	23,742,870	10	1,284,722	12,284,275	\$ 55,481,162

Note ^(A) - In February, \$3.9 million in capitalized Interest was paid.

Fair values as reported on monthly account statements. Totals may not add up due to rounding.

SH 249 Schedule 3 – Maturity Distribution and Quarter End Comparison



SH 249 Schedule 4 – Investments by Security Type

